



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

| | | | | |
|-------------------------|-------------------|--------------------------|---------------|----------------------|
| Bill # | SB0458 | <input type="checkbox"/> | Title: | Revise insurance law |
| Primary Sponsor: | Barkus, Gregory D | Status: | As Introduced | |

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

| | <u>FY 2010 Difference</u> | <u>FY 2011 Difference</u> | <u>FY 2012 Difference</u> | <u>FY 2013 Difference</u> |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Expenditures: | | | | |
| State Special Revenue (SAO) | \$87,974 | \$0 | \$0 | \$0 |
| Revenue: | | | | |
| State Special Revenue (SAO) | \$0 | \$0 | \$0 | \$0 |
| Net Impact-General Fund Balance: | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

Description of fiscal impact:

State Auditors Office:

Insurers will file a combination of complete policies, certificates, or endorsements to include the "No Duplication of Benefits" language included in SB 458 in FY 2010. Costs associated with reviewing and approving these additional filings are reflected in the fiscal note.

Department of Administration:

This bill clarifies current law and applicability relating to coordination of benefit payments between insurers. It provides for prevention of duplicate payments made for benefits provided among multiple insurers. This bill has no fiscal impact to the department.

FISCAL ANALYSIS

Assumptions:

State Auditor's Office (SAO):

1. Insurers will file complete policies, certificates, or endorsements to include the "No Duplication of Benefits" language.
2. Review of a complete health policy or certificate takes approximately five hours.
3. The entire policy is reviewed by SAO if it is over three years old.

4. Review of an endorsement takes approximately one hour.
5. It is estimated that 50% of companies would use endorsements instead of submitting the entire contract.
6. During FY 2008, SAO approved 1,225 health policies and certificates processed by 1 full-time FTE and 3 part-time FTEs.
7. Approximate staff hours to handle the estimated increase in filings during FY 2010 would be 3,675 hours. $(1,225 \times 0.5 \times 5 = 3,062.5 + 1,225 \times 0.5 \times 1 = 612.5)$
8. SAO would need to hire 1.00 FTE license examiner specialist. Salary, over-time, and operating costs total \$87,974 for FY 2010 only.

Department of Administration (DoA):

9. Currently, the State Employee Plan coordinates with other insurers (first-party medical payers, third-party medical payers, and third-party liability payers) in determining responsibility for and payment of benefits.
10. In general, there are provisions for coordination order such as payer-of-last-resort. For example, Medicaid is generally a payer-of-last-resort and only reimburses after other payers have reimbursed benefits. Medicare is the primary payer (i.e. 'prime') for those deemed Medicare eligible, and then the State Plan reimburses as a secondary plan. There are other coordination provisions for additional payers beyond these examples.
11. This bill clarifies that insured individuals, providers, etc. may not receive duplicate benefits (i.e. receive overlapping reimbursement from multiple insurers).
12. There is no fiscal impact since the plan is currently being administered in this manner and this bill clarifies the application of coordination of benefits.
13. During the 2008 plan year (calendar year 2008), approximately \$62.7M in duplicate payments were avoided through coordination of benefits. (Of that amount, approximately \$53.9M in duplicate payments were avoided through coordination with Medicare for Medicare 'prime' individuals).
14. If these duplicate payments were permitted, there would be a potential for an additional cost of \$9.8M to the State Plan in non-Medicare duplicate costs. If Medicare payments are duplicated, an additional \$53.9M could potentially be charged to the State Plan.

| | <u>FY 2010 Difference</u> | <u>FY 2011 Difference</u> | <u>FY 2012 Difference</u> | <u>FY 2013 Difference</u> |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| <u>Fiscal Impact SAO:</u> | | | | |
| <u>Expenditures:</u> | | | | |
| Personal Services | \$71,063 | | | |
| Operating Expenses | \$16,911 | | | |
| TOTAL Expenditures | \$87,974 | \$0 | \$0 | \$0 |
| <u>Funding of Expenditures:</u> | | | | |
| State Special Revenue (02) | \$87,974 | \$0 | \$0 | \$0 |
| <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u> | | | | |
| State Special Revenue (02) | (\$87,974) | \$0 | \$0 | \$0 |

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date

